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Industrial Development Board

Thirteenth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna, on Monday, 7 November 1994, at 10 a.m.

President: Mr. EL HUSSEIN (Sudan)

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The meeting was called to order at 10.25 a.m.

OPENING OF THE THIRTEENTH SESSION

1. The PRESIDENT declared open the thirteenth session of the Industrial Development Board.

2. Great expectations had been aroused by UNIDO, which it was hoped would be able to find solutions to the problems created by the major global changes currently affecting all economic and social sectors. In that context, the great challenge facing the world was to accelerate the pace of industrial development in the developing countries in order to meet the aspirations of their peoples. The General Conference session at Yaoundé had formulated approaches and solutions to those problems and had established priorities. The present session provided an opportunity to ponder on the extent to which the Organization had so far succeeded in implementing the historic decisions taken at Yaoundé.

3. The documentation prepared for the session gave grounds for both optimism and concern. Thus, while important steps had been taken towards the restructuring of UNIDO's departments and programmes in conformity with the priorities established at Yaoundé, there was still a long way to go. The cause of the problem was not so much the shortcomings of programme managers as the failure of the world community to provide UNIDO with the necessary financial, technological and human resources. At the same time, the budgetary situation had improved as a result of the contributions made by a number of Member States, which amounted to a vote of confidence in the Organization. He hoped that more contributions would be made available and commended the Director-General on his decision to allocate budgetary savings to priority programmes, including those relating to the least developed countries, the UNIDO Country Director (UCD) programmes and programmes for the industrial development of African countries.

4. As the twenty-first century approached and the gap between industrialized and developing countries, particularly the least developed among them, continued to widen, a great responsibility was thrust upon the Board. Unless policies were drawn up to expedite the transfer of technology and industrial know-how to the developing world, UNIDO would fail to meet its constitutional obligations. If the raw materials so abundant in the developing countries were used in industrialization, it would

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benefit both producers and consumers, especially in the pharmaceutical, food and clothing sectors, as well as offering many other advantages in a world where resources were being depleted as a result of environmental hazards or irrational use.

5. The contribution of women to development was comparable to that of men, and indeed exceeded it in some African rural districts. If women were helped to establish small- and medium-scale industrial concerns, economic development would be greatly enhanced. By contributing to the achievement of that goal - one of the priorities established at Yaoundé - UNIDO would be providing an incentive to women in the context of preparations for the forthcoming Fourth World Conference on Women at Beijing.

ADOPTION OF THE AGENDA FOR THE THIRTEENTH SESSION (IDB.13/1/Rev.1)

6. The PRESIDENT drew the Board's attention to the provisional agenda (IDB.13/1/Rev.1), which contained the items approved at the twelfth session and a supplementary item, namely item 13. He understood there was general agreement to include the supplementary item.

7. The provisional agenda (IDB.13/1/Rev.1) was adopted.

STATEMENT BY THE DIRECTOR-GENERAL

8. Mr. DE MARIA Y CAMPOS (Director-General), after welcoming participants, said that strong efforts had been made throughout the year to make UNIDO's voice heard in international forums and conferences, particularly those addressing global priorities and concerns. At the United Nations system level, the Secretariat - apart from regular meetings such as those of the Administrative Committee on Coordination - had participated actively in the debates of the Economic and Social Council, the Commission on Sustainable Development and the General Assembly. It was also fully involved in the preparatory work for the World Summit for Social Development and the Fourth World Conference on Women. He had personally addressed the Second Committee of the current General Assembly by presenting a statement on industrial development cooperation, copies of which were available to Member States. The basic message had been that economic development was the major force for lasting social progress and long-term sustainable development and that industrialization must be the centre-piece of any broader agenda for development. UNIDO's role in that process was very clear and he hoped that the Board's deliberations at the present session would further endorse it.

9. Generally speaking, there was a renewed interest around the world in industrial and technological issues as well as a feeling that, while much weight had been given to the concept of "post-industrial" societies and "service economies", in practice the developed countries and those developing countries that had been growing rapidly and in a sustained manner had continued to emphasize industrialization and technological development. At both governmental and private-sector level in the developing countries, it was widely acknowledged that the challenges of industrialization, technological development, international competition and some crucial global issues had to be met by their own initiatives, actions and resources. However, following the Yaoundé Conference, there were also high expectations that UNIDO might complement such efforts through the supply of industrial information, policy and institutional advice, and technical expertise, as well as playing the role of honest broker on crucial industrial development issues and that of a catalyst of international industrial cooperation. That perception had been reconfirmed at the Third East-West Conference of Ministers of Economy, Industry and Trade, held at Warsaw in May 1994, and at the International Conference on Human Resource Development held in Sweden in June. Furthermore, an industrial policy forum organized by the Latin American Economic System, UNIDO and the Inter-American Development Bank had demonstrated the determination of Governments and businessmen in the region to give high priority to modernizing and strengthening their industries.

10. Turning to the agenda for the thirteenth session, he drew particular attention to item 3. Organizationally speaking, progress had been made in discharging new responsibilities. Through a combination of recruitment, promotions and reassignments, all Managing Director positions, as well as most of the Head of Branch or Chief of Section posts, had now been filled. In that connection he had great pleasure in introducing Ms. King-Akerele, who had taken charge of the Country Strategy and Programme Development Division, and Mr. Piskounov, who had taken over the Human Resource, Enterprise and Private Sector Development Division. In filling other positions, he would continue to seek the highest competence as well as an equitable geographical and gender distribution, with particular emphasis on candidates from non- or underrepresented countries, and appealed to Member States to nominate suitably qualified candidates.

11. Turning to the crucial question of the focusing and prioritization of UNIDO's activities, he recalled that from the outset of the reform process sharper focusing had been a key issue. Indeed, the very basis of restructuring had been the definition by consensus of lead themes or "development objectives" towards which UNIDO's programmes should be directed. At the same time, the objectives and connected "priorities" of UNIDO as a "demand-driven" organization of the United Nations system must fully reflect the priorities of the recipient countries. UNIDO had to respond to the industrial development priorities and demands of Member States in accordance with its Constitution and the universality of a United Nations organization. Given the multitude of agencies involved in supporting industrial development, as well as their changing roles, UNIDO obviously had to review and monitor its specific functions and activities in a systematic way. The comparative advantage principle must be the point of departure for determining the core programmes and services of the Organization, not in a static but in a dynamic sense. Moreover, dwindling financial resources forced UNIDO to specialize its services and staff capacities - a task to which particular attention was presently being devoted. While appreciating the support and suggestions of Member States in that matter, he appealed for breathing space and sufficient time to elaborate the concept of specialization, to fine-tune the core programme of services and to reallocate, retrain and recruit the necessary human resources.

12. The efforts so far made included, first, the continuous updating of the demand map, comprising preparation of country briefs, UCD reports on requirements and demand for UNIDO services, a series of industrial-sector programme review missions to developing countries, close consultation between senior staff and policy makers in Member States and the preparation of UNIDO country support strategies. Progress reports would be issued periodically.

13. Secondly, efforts to pursue priorities within the five development objectives had been improved. Within each priority the Secretariat had defined functions or services where the Organization would be concentrating in future, thus providing a clear menu of what UNIDO could offer in various areas, some of which had traditionally been covered, whereas others were areas of growth for the future. In order to achieve that prioritization, account had been taken of the demand for UNIDO services in the developing countries, the substantive capabilities of the Organization and available resources. Criteria for concentration had been formulated in many spheres, for example in the food sector, where UNIDO had been working on 20 subsectors in the past. As a result of the focusing process, UNIDO was now concentrating on half the number of subsectors and on a limited number of programmes. Similar work had been taking place regarding other industry and technology sectors as well as thematic and cross-sectoral topics.

14. In many areas, such as women, information, private sector development and small and medium-sized enterprises, UNIDO was now focusing on the creation of national capacities. Its aim was to strengthen and complement the efforts of Governments and the private sector, not to substitute them as had sometimes occurred in the past. Everything that he had mentioned so far concerned concrete achievements, not just good intentions.

15. A third step was the application of the internal process of screening and quality assurance as outlined in the new guidelines for the service management process. UNIDO had been spread too thinly in the past. Pressed by falling UNDP financing, it had been carrying out activities that were sometimes beyond its mandate and technical capabilities, particularly in the case of projects financed through trust funds, which did not go through normal screening and approval procedures. From early 1994, all projects, including those financed through trust funds and under the Industrial Development Decade for Africa (IDDA), had been included in the service management process. In that context he had been emphasizing a return to UNIDO's original mandate and clear observance of guidelines on priorities as they were approved. That process, including examination by the Programme and Project Review Committee (PPRC), provided the tools for assessing project proposals as to their funding prospects, relevance, cost-effectiveness and sustainability, as well as their suitability for implementation by UNIDO. As a result, even very sizeable projects, which could have contributed significantly to operational budget income, had recently been turned down, which clearly indicated the seriousness of the efforts being undertaken.

16. The work of PPRC had led to a substantive improvement in the quality of UNIDO projects. Up to 30 September 1994 it had reviewed 249 projects, for a total value of $47,569,724; 64 per cent of the projects had been cleared, 24 per cent sent for reformulation and 12 per cent rejected.

17. His general aim in shaping UNIDO's future technical cooperation programme was to move upstream and provide critical high-impact services. At the same time, however, UNIDO must continue to play a significant role in technical cooperation in those regions, countries, sectors and subjects where demand was highest and the necessary technical capacity was available. It should be noted that the severe difficulties in mobilizing funds for such technical cooperation at a time of growing aid fatigue imposed major limitations on the programme as a whole, while the gap between identified demands and available resources was widening, particularly in the regions and countries that needed UNIDO most, namely Africa and the least developed countries. To translate priorities into action, the support and financial assistance of Member States were essential. Donors also had to assume their responsibilities in the reform process.

18. Regarding activities financed under the regular budget, UNIDO was undertaking an intensive elaboration of service priorities within subsectors, regions, cross-sectoral issues and individual programmes, with the result that the range of such activities had already been curtailed in spite of a growing demand for many of them.

19. The results of all those endeavours and the outcome of staff seminars, working groups and branch-level business plans yielded concrete guidelines for the focused work programme of the present biennium and a basis for the elaboration of the 1996-1997 programme and budget. In addition, he intended to present some new ideas for savings in administrative and supporting functions and for the reallocation of resources to identified demand for core services and technical cooperation. Recent meetings with the regional groups had revealed a perception on the part of some Member States that the prioritization exercise had not advanced rapidly enough, as well as a desire for better communication on programme and project development. On the first issue, he intended to present to Member States before the next Programme and Budget Committee session a synthesis of all such efforts, showing the focusing of activities that had been attained and activities that were being de-emphasized. Most importantly, he would present a final set of criteria for the selection or rejection of technical cooperation projects, taking into account UNIDO's mandate, objectives, priorities, technical capabilities, comparative advantages and availability of resources. As UNIDO's stockholders, he invited Member States to present ideas for improving those criteria.

20. On the other hand, he fully understood the wish of some Member States to be better informed about UNIDO's programme and project development. To that end, he would arrange for periodic informal meetings in which interested States could review progress on project development with staff concerned, and organize briefing meetings on specific priority programmes. But he appealed to Member States to adhere to their stated principle of not becoming involved in micro-management: once priorities and criteria were defined, the operation should be left to UNIDO.

21. The Secretariat looked back on the achievements of the past ten months with pride. It was confident that UNIDO was on the right track; and faster progress was being made than in other comparable organizations.

22. Under agenda item 4, Member States were provided with detailed reports on specific activities carried out in 1994 in major programme areas. He felt that the level of services rendered to Member States was remarkable at a time of difficult restructuring and adjustment and diminishing resources.

23. At the regional level, priority continued to be given to the least developed countries and to developing countries in Africa. Following the recent General Agreement on Tariffs and Trade accord, major structural changes would be needed to ensure the accelerated growth and increased competitiveness of African enterprises. That had been highlighted in a paper submitted by UNIDO to the International Conference on the Implications of the Uruguay Round Agreements for the African Countries, held at Tunis in October 1994. It was expected that those ideas would be considered further at the meeting of the Conference of African Ministers of Industry in May 1995. While retaining the priorities already mentioned, UNIDO would continue to meet the needs of other developing regions, each of which would require its own approach. The advanced developing countries in Asia and Latin America continued to require services in such new areas of cooperation as achieving full international competitiveness and acquiring the related technological capabilities. UNIDO was also increasingly being asked to become an effective catalyst of industrial cooperation among developing countries, especially now when the opportunities for such countries to learn from each other were growing and there was increased political will for South-South cooperation.

24. Inter-agency coordination was one area which had been accorded special attention over the past few months. UNIDO had initiated a number of joint actions with the United Nations Development Programme (UNDP), UNESCO, ILO, FAO, the United Nations International Drug Control Programme (UNDCP) and the IAEA. Similar cooperation schemes with regional organizations were being explored in order to coordinate programmes and projects, to avoid duplication of efforts and to generate creative momentum.

25. Progress had also been made towards fund mobilization from non-traditional sources through closer collaboration with the World Bank, the regional development banks, United Nations funds and regional organizations like the European Union. The support provided by the Inter-American Development Bank and the European Union had resulted in a project for Slovakia, to be carried out in cooperation with the French Government, as well as an innovative programme aimed at promoting joint ventures and strategic alliances between developing regions and economies in transition.

26. The Organization's financial position was fairly stable and improving steadily, though there was a continuing need to ensure that there were no undue delays in payment of assessed contributions. The collection rate for assessed contribution as at 31 October 1994 was slightly higher than at the same date in 1993. Reduced expenditures on staff costs would mean that some budget resources would not be utilized. As document IDB.13/22 indicated, those resources were to be reallocated to: field representation; financing the continuation of the present UNIDO Country Director coverage through 1995; industrial-sector review missions, particularly for the least developed countries and the African developing countries; and certain priority programmes in such areas as environment, information and policy advice.

27. Efforts to balance the operational budget in 1994 had been adversely affected by the continued decline in the value of the United States dollar against the Austrian schilling: the Organization had lost around $700,000 for that reason in 1994. Every effort was being made, however, to meet the delivery and income targets for 1994, and expenditures were being reduced, mainly through the transfer of staff from operational budget posts to vacant regular budget posts. Despite the difficulties experienced, he remained confident that the operational budget would be close to being balanced at the end of 1994.

28. While the restructuring had been basically completed, new specialized staff recruited and new management mechanisms devised, the reform process was still continuing. A number of demanding tasks remained to be performed: redesigning UNIDO's field presentation; reviewing personnel policies; improving management incentives and accountability; strengthening of coordination functions at the Director-General's office and promoting teamwork. The hard work, commitment and dedication of staff was at the heart of the reform process. After the strains involved in adapting to new functions and responsibilities as well as to staff reductions, there was now a great readiness to form teams and work towards shared goals. Yet time would be required to make that approach fully effective.

29. The reform process had made good and rapid progress, but the Organization could not work miracles. He therefore called upon Member States to support the process over the long term. UNIDO needed funds to match its core services and priorities and to coincide with the needs of various developing regions. It required full support for decentralization and for the strengthening of field representation and would require the collaboration of Member States to back up an active public information strategy that would inform the public of what had been achieved so far - and that was a great deal.

ORGANIZATION OF WORK

30. The PRESIDENT noted that at previous sessions, with the aim of effectively utilizing conference-servicing resources, the Board had decided to suspend the quorum requirement laid down in rule 32 of the rules of procedure. Under rule 80, such a decision could take effect immediately, without the prescribed 24 hours' notice, if no member objected. If he heard no objection, he would take it that the Board wished to suspend, for its thirteenth session only and with immediate effect, rule 32 of the rules of procedure, on the understanding that the suspension would apply only to meetings at which no substantive decision was taken.

31. It was so decided.

32. The PRESIDENT reminded the Board of the recommendations for the conduct of business and rationalization of proceedings made by the Board at its fifth session in its decision IDB.5/Dec.46.

UNIDO POLICY FRAMEWORK - ORGANIZATIONAL AND STAFF STRUCTURE (IDB.13/27 and 31; IDB.13/CRP.1)

33. Mr. BORCHARD (Germany), speaking on behalf of the European Union and Austria, said that the statement made by the European Union at the twelfth session of the Industrial Development Board was still valid today: the reform process was well under way, but a good deal remained to be done. There was every reason to believe that the steps relating to quality assurance set out in document IDB.12/8 would be implemented. The intention to explore existing systems to achieve better teamwork and to carry out programming missions and dialogue with a wide range of partners in industrial development were welcome. UNIDO should emphasize activities in areas where the industrial development of the countries concerned was obstructed. The comments in document IDB.13/27 on personnel policy were encouraging, but the importance of training for promoting flexibility must be borne in mind.

34. With regard to the crucial issue of prioritization, there was also encouraging news. Efforts to orient the budget process towards programmes and cost centres would significantly improve the prospects for assessing the degree to which prioritization had already occurred. The fact that increased emphasis was to be given to Africa, small- and medium-scale enterprises and agro-industries was an encouraging development; further information on the strategy papers being prepared on those subjects would be welcome.

35. No clear picture was yet available of what UNIDO's priorities would be in the future. It would be vital to obtain a clear picture during 1995, because quality and focusing were two sides of the same coin. UNIDO must have a sufficiently broad menu to offer to developing countries, but the menu must be consistent with the number and specialities of staff. If some areas were to receive higher priority, others inevitably would be de-emphasized or removed altogether. Very little information had been received on that subject, however. It had been indicated that progress had been made in a few areas and that the aim was to prioritize within sectors rather than between them, and it appeared that obtaining consensus within the Secretariat had been difficult. But the Secretariat was not a debating society: it was a hierarchy in which the Director-General took and was responsible for decisions. If the UNIDO reform was to be successful, choices had to be made and a painful process had to be pursued. The Director-General had a mandate for such action in the General Conference's endorsement of document GC.5/23. Flexibility was needed in the implementation of the reform. The Union was ready to explore with the Secretariat and other Member States ways in which the Organization's financial regulations could be amended to enable the Secretariat to be more flexible and thus more efficient in delivering its services to recipient countries. A case in point was the provision in the Constitution that only 6 per cent of the regular budget could be used for technical cooperation.

36. The members of the European Union and Austria were fully aware that time was required to implement the UNIDO reform. It was therefore understandable that the documents submitted at the Board's twelfth session had not been very specific and that the same was largely true at the current session. That was, nevertheless, a source of disappointment, and it was to be hoped that, at the next session of the Board, something far more informative could be submitted.

37. The problem was not only that reform took time: it was necessary to demonstrate to Member States that the reform was being implemented, not only in terms of structure but also in respect of working methods and substance. At the twelfth session of the Board, it had been pointed out that some Member States regarded the results of the reform process as crucial to their future relationship with the Organization: that message was even more urgent today.

38. Mr. GORELIK (Russian Federation) said that in the year since the long-awaited decision on reform, a number of measures had been adopted to reorganize UNIDO's activities in the light of the needs of all Member States, for example in the area of technical cooperation. As a result, the quality of the services provided by the Organization had already improved, genuine partnership in international industrial cooperation was being promoted, account was being taken of the restructuring under way in other parts of the United Nations system and activities were being decentralized and transferred to the field. He agreed that the Secretariat should prepare a list of UNIDO priority services. In that context, he endorsed the view (IDB.13/27, paras. 18 and 19) that such services should focus on the fields in which UNIDO had special capability and expertise. However, other areas of vital importance should also be included such as assistance in the conversion of military industrial enterprises to the production of civilian goods, and assistance in the transition from a centrally-planned to a market economy. Those two aspects could be tackled through a combined regional, subregional and thematic approach as described in paragraph 21. The growing attention paid by UNIDO to small and medium-scale enterprises was welcome; it was expected that the Organization would make an important contribution to the meeting to be held in 1995 on the development of such enterprises in Central and Eastern Europe and the former USSR.

39. The trend towards greater coordination of UNIDO activities with those of other organizations in the United Nations system was welcome. He viewed with interest UNIDO's growing contribution to the analysis and study of comprehensive global problems and its participation in international forums on such subjects. However, the Organization should not try to tackle all the problems facing the international community. The work of the United Nations system was based upon the principle of complementarity of action; each agency should concentrate on its own particular area of expertise.

40. On the whole, the Russian delegation found the current reform of personnel policy positive. However, certain imbalances in geographical distribution of posts within the Secretariat, as a result of restructuring, had not yet been totally

eliminated and a number of individual countries were underrepresented with regard to both the overall number of posts and their structural distribution. However, the continuing review of personnel policy was welcome. Recent work by UNIDO to improve staff quality and to encourage higher standards of competence and improve promotion policy was very important. He also endorsed the view expressed by a number of Member States that the Director-General should make greater efforts to recruit new staff from outside the Organization, if need be replacing existing staff to do so. Such action was sometimes necessary as some staff in international organizations tended to become cut off from the realities of life outside the organization and lose their ability to adapt to them. It would be appropriate to recruit persons with experience not only in the international sphere but also at national level, and familiar with the most recent technologies and means of production.

41. In that connection, he considered that introduction of a maximum contract term of eight years would not endanger the principle of continuity but would bring new blood into the Organization that would maintain the best traditions of its staff while preventing complacency and stagnation. Such contracts should apply in the first instance to specialists who were required to have an extensive practical knowledge of current industrial technologies, and new techniques and approaches.

42. Mr. OCHOA (Venezuela), speaking on behalf of the Group of 77, said that the Group reaffirmed its overall support for the Organization's efforts to assist, promote and accelerate the industrialization process in the developing countries. It hoped that other Member States would cooperate in such activities.

43. The Group felt that considerable progress had been made since the adoption of the Yaoundé Declaration. It encouraged and fully supported the restructuring and reorientation of UNIDO's priorities and programmes as decided on at the fifth session of the General Conference. However, serious consideration needed to be given to improving the representation of developing countries in recruitment for and promotion to posts at all levels in the Secretariat in particular with regard to Professional staff and senior posts. The Group was aware that the process of revitalization could not succeed unless assessed regular budget contributions were paid in full by Member States and voluntary contributions from major donors and international financial institutions were increased. The Group was concerned by the decrease in operational budget resources and encouraged the Secretariat to continue negotiations with UNDP and other donors with a view to obtaining increased contributions. A greater proportion of the regular budget should also be assigned to operational activities.

44. The Group also attached importance to the UNIDO Country Director programme, which required sound and sustainable funding from the regular budget as well as additional resources so that the target of 50 UCDs could be achieved or at least the present number of country offices maintained. It was concerned at the possible reduction in UCD posts by the end of 1996; it was time to seek a permanent solution allowing the programme to be made an integral part of the Organization, with the aim of increasing field representation and decentralization.

45. The Group recognized the importance of industrial development cooperation and South-South cooperation based on efficient use of available resources, technology and manpower. The Organization should strengthen its efforts to improve such cooperation. Modernization and competitiveness were also essential for the industrial development of developing countries and for increasing their participation in the world economy and trade.

46. Mr. CHEN Shiqiu (China) welcomed the new organizational structure of UNIDO. The new management and coordination mechanisms introduced by the Secretariat and the guidelines and procedures laid down for UNIDO services provided a good foundation for strengthening the Organization's management. He noted the technical cooperation programme prepared in accordance with the defined priorities of the Organization and the needs of developing countries. Given the limited financial resources of the Organization, the steps the Secretariat was taking to focus and prioritize its work and avoid overextending the Organization were also appreciated.

47. He noted the efforts being made in the sphere of personnel policy, and welcomed the assurance that full attention would be given to the principle of equitable geographical distribution. That principle was particularly important at senior levels, and he hoped that existing shortcomings would soon be remedied. His delegation took a close interest in the organizational and staff structure of UNIDO. The primary goal in its restructuring should be to achieve efficient working methods. Realistic redefinition and accurate description of the duties of each organizational unit would ensure a clear-cut and logical division of labour and efficient coordination. Ongoing reform of the staffing and financial aspects of the Organization were also needed and the various reform measures decided on should be conscientiously implemented. Technical cooperation activities should be planned in a rational way that took into account the newly defined priorities. To that end, the various departments concerned should exercise strict control over programme formulation and project approval.

48. Mr. HODEL (Switzerland) said that Switzerland wholeheartedly supported the ongoing reform process and was eager to see its results, which it would judge from the standpoint of quality.

49. A clear picture of the role of UNIDO among the various multilateral institutions active in the field of industrial development had not yet emerged. It was essential, in the context of the present reform, that the Organization's role should be defined carefully and without delay. Donors could no longer afford to support parallel activities carried out by a number of agencies. Although he was in agreement with country programming in collaboration with UNDP and other organizations, he did not feel that the activities and capabilities of other organizations were being subjected to a thorough analysis to help UNIDO to define its niche better and set priorities. For example, he did not consider that UNIDO had a role at the macroeconomic level, an area in which

other institutions such as the World Bank were better placed to assist developing countries. He would urge that such an analysis should be carried out as soon as possible.

50. Although the number of priorities had been reduced in comparison with the past, new activities had been added; they should be streamlined to minimize the demands they would make on staff. In particular, participation at large world conferences such as those on social development and on women should not distract the Organization from its main tasks, which in themselves would make a valuable contribution to improving social welfare and the status of women.

51. The priorities set out in document IDB.13/27 were not fully satisfactory. Until the role of UNIDO vis-à-vis other multilateral institutions had been properly defined, such priorities would lead to a duplication of effort. Private sector development was an issue dealt with by all development banks. What UNIDO should do was contribute to the overall effort with its own expertise. The same was true regarding small and medium enterprises. Switzerland considered that UNIDO's priorities should be the promotion of investment, the transfer of technology and environment/energy programmes. Concentration on those three priorities would make possible a much greater contribution to such goals as the alleviation of poverty, industrial development and development of the private sector than trying to compete with other, larger organizations. His delegation would thus urge the Director-General to rethink the priorities of the Organization.

52. On the other hand, UNIDO's efforts to move towards a budget process based on programmes and cost centres were to be applauded. Switzerland also considered that most of the contributions to overhead costs paid by donors on projects should be allocated to the sections that had prepared and executed those projects. The appropriate specialists could then be engaged and expertise constantly readjusted to meet the needs of developing countries. Switzerland reiterated its support for the reforms in progress: they should be implemented speedily to enable delivery of technical assistance to be improved.

53. He asked what the reasons had been for the rejection of the 12 per cent of projects mentioned in the Director-General's introductory statement.

54. Mrs. OK (Turkey) said that despite the expected gradual revival of the world economy, with better terms of trade for many exporters of primary commodities, disparities in levels of development continued to increase; the countries of the North accounted for one fifth of the world's population but received four fifths of its income.

55. Since the United Nations had recognized development to be one of its chief tasks, Turkey was pleased that UNIDO under its new leadership was seriously endeavouring to play its part in the United Nations agenda for development, into which its five oriented objectives fitted appropriately. The capacities of productive sectors, primarily agriculture and industry, to generate economic growth and ensure its equitable distribution were crucial to social development. Industry provided critical supply and processing functions for other economic and social sectors. UNIDO should be actively engaged both as a main source of industrial information and statistics and as a major information base on alternative industrial technologies and essential industrial services, its role being that of a key intermediary or "honest broker" in joint or cooperative arrangements between Governments, institutions and enterprises in different countries.

56. She commended the efforts of the Director-General to initiate a process of prioritization; however, the process should continue. She welcomed the emphasis on support for regional and subregional cooperation, strengthening capacities for formulating industrial strategies and policies, enhancing the productivity and competitiveness of the private sector, and developing competitive and dynamic small and medium enterprises. She also welcomed UNIDO's involvement in the United Nations system-wide policy dialogue within the framework of the Commission on Sustainable Development. Turkey was pleased that the Organization was involved in activities under the Multilateral Fund for the Implementation of the Montreal Protocol, with the help of cooperation between environment and industrial subsector expertise in the Investment and Technology Promotion Division.

57. Her delegation further appreciated UNIDO's support for rehabilitation and reconstruction in post-emergency settings, an integrated programme having been developed to restore equipment in established industrial subsectors, to create a local industry for reconstruction and to alleviate war damage to the environment, in the context of assistance to Bosnia and Herzegovina. The Turkish Government had pledged $1 million in cash and kind to the programme, and hoped that it would be fully funded by the major donors and that an early start could be made on the project.

58. Despite those positive developments, her delegation saw a need to further refine priorities and development objectives: the medium-term plan should serve as a programme framework in determining the work programme for the biennium 1996-1997. UNIDO must do more to select the areas of focus where it could achieve the greatest impact.

59. She commended the effort to establish a new, contemporary personnel policy. The technical skills training that had started in 1994 would help adapt the Organization to new requirements. She especially welcomed the seminars and workshops on team-building and effective management. The arrival of Ms. King-Akerele as the second female Managing Director of the Organization was welcome but, despite the increased percentage of women in UNIDO, the representation of women remained well below the desired level. That level could be reached through external recruitment as well as new opportunities for inside promotion of women. Her delegation further believed that, while the capacities of existing staff could be improved by in-house training, young, highly capable recruits at lower Professional levels were also needed.

60. Referring to document IDB.13/31, she congratulated the Director-General on encouraging dialogue with the staff. Turkey supported the staff's comments concerning: an appraisal scheme allowing effective performance assessment, equitable evaluation of behaviour and a fair indication of development potential, the scheme

being matched by appropriate training courses; the establishment of a staff inspection unit independent of line management; and the use of full economy fares as a base rate for home leave entitlements.

61. Mr. KELLAND (Observer for Denmark) noted that the representative of Germany, speaking on behalf of the European Union, had said that some Member States regarded the results of the reform process as crucial to their future relationship with the Organization. He wished to spell out what that statement meant for his Government. Denmark fully realized that a wind of change had swept the Organization since the arrival of the present Director-General and appreciated and supported his efforts to increase UNIDO's development impact. It realized that reform took time and that concrete results of the Director-General's efforts could at present only be visible to a very limited extent, but felt that it was only right at that stage to signal that, if towards the end of 1995 it could not be established that substantial concrete progress had been made in the efforts to reform UNIDO, the Danish Government would seriously consider leaving the Organization.

62. Mr. AARDAL (Norway) expressed his delegation's full support for the statement made by Germany on behalf of the European Union and Austria. Norway appreciated the continued reform effort of the Organization and attached importance to the process. A comprehensive reform was time-consuming and difficult, and his delegation realized that the final results of the reform could not be expected at the present Board session.

63. At the Board's previous session, the Director-General had concentrated on structure and management matters. Little information had been received on UNIDO's future priorities and key focus areas or on the Organization's substantive capabilities. Norway had expected further elaboration on those matters at the present session. At the next session, it would like to hear more about the Director-General's clearly defined goals for the Organization, with details as to which areas were to receive lower priority. It sincerely hoped that such information, together with information on the Director-General's plans for moving towards more upstream activities by establishing within UNIDO a centre of excellence for industrial development, would be presented at the next session. However painful the deselection of certain areas might be, it would perhaps be necessary to go through such a process in order to keep all UNIDO Member States on board.

64. Mr. AKAO (Japan) said that, at the twelfth session of the Board, it had been recognized that time was needed for fine-tuning of the new organizational structure, together with the new managerial procedures and mechanisms, prior to in-depth discussion of the process. Japan was now very interested in hearing about the progress that had been made by the Director-General.

65. With regard to document IDB.13/27, his delegation appreciated the continued efforts to ensure successful implementation of the new UNIDO framework and supported further steps to guarantee the timely and effective delivery of UNIDO services. It nevertheless considered that the report should include a more detailed comparison of the past and present situations and provide analytical information on the reform process. Japan had expected more detailed information on the performance of the Programme and Project Review Committee in its important role of improving project quality, and would be interested in the report of the task force on savings within the Organization.

66. Having studied document IDB.13/27, his delegation believed that the prioritization of activities and concentration on target countries should be further accelerated to enable UNIDO to present a more attractive and reliable image and ensure the Organization's survival. To that end, the clear prioritization of target countries, functions and sectors was of primary importance. It was recognized that the least developed countries must be the top priority for UNIDO. For countries that had joined the "developed" category, the concept of graduation from the services of UNIDO should be introduced and their eventual self-reliance encouraged. The services of UNIDO for middle-income countries should focus on policy advice, honest brokering for investment promotion, and the promotion of South-South cooperation.

67. With regard to UNIDO's sector activities, he was sure that the reform process had revealed that, owing in part to the drastic changes in the economic circumstances of many countries, there were some sectors in which the need for UNIDO services had clearly diminished. UNIDO should further streamline its structures and services, integrating and reassigning existing experts or posts accordingly.

68. Both strong leadership by the Director-General and commitment from the staff were prerequisites for the successful reform of UNIDO. His delegation supported the introduction of performance appraisal and accountability systems and of merit award systems. Such new personnel policies would help revitalize UNIDO and its activities.

69. He recognized that reform was a long-term process and that more time was needed before its results could be properly judged. He wished to emphasize the importance of the efficient and effective implementation of UNIDO activities from the stage of the identification of needs to the formulation, appraisal, approval and execution of projects and their final evaluation. Japan was closely following the ongoing UNIDO reform process in a cooperative spirit. It wished also to stress the importance of timely payment of contributions. Japan, for its part, had increased its Industrial Development Fund and trust fund contributions.

70. Mr. AMMAR (Tunisia) thanked the Director-General for his efforts to revitalize and modernize UNIDO and to provide it with key personnel recruited on the basis of competence and equitable geographical distribution. He also welcomed the emphasis placed on Africa in project implementation. In Africa, industry, as a factor of integrated economic development, was not as yet able to assume its rightful role. Close cooperation with the African countries was required to meet the urgent needs of their industrial enterprises.

71. The International Conference on the Implications of the Uruguay Round Agreements

for the African Countries, held at Tunis in October 1994, had rightly been regarded as evidence of a partnership for the development of Africa. The President of Tunisia had launched an appeal for greater integration of the African continent into the world economy in order to guarantee global development for the benefit of African populations. The Tunis Conference had taken note of UNIDO's proposals to modify industrial strategies as part of efforts to increase economic efficiency. Industrial development had to be made a more autonomous process so as to establish the essential intersectoral links and promote the endogenous development of that activity. The importance of standardization and quality control had also been emphasized. In that connection, his delegation wished to stress the importance of the deliberations at the next meeting of the Conference of African Ministers of Industry, to be held in May 1995.

72. His delegation approved the content of document IDB.13/27. Special attention had been given to programming activities aimed at establishing close links between the changing needs of developing countries and the establishment of an order of priority for UNIDO's services. The direct contacts that the Director-General and senior UNIDO officials had recently had with leaders of private industry in the developing and developed countries had highlighted the role played by industry as a locomotive for growth and hence the chief basis of socio-economic development.

73. Despite enormous progress, bottlenecks remained that would require concentrated effort if they were to be overcome. Nevertheless, in view of UNIDO's limited resources, Tunisia appreciated the efforts made to give priority to the various technical cooperation projects.

The meeting rose at 12.20 p.m.